MISSOURI'S FUNDING FOR
TOURISM PROMOTION

Missouri's investment in tourism promotion is considered a national model, thanks to a funding mechanism created in 1993, known as House Bill 188 (HB 188).

The funding system, which went into effect on July 1, 1994, has increased the Missouri Division of Tourism's budget from $6 million in 1993 to $20.7 million in fiscal year 2008.

After years of searching for a dependable revenue source to fund the Division of Tourism's efforts, Missouri's travel industry united in 1993 behind House Bill 188. This legislation set aside a percentage of tourism-generated tax revenue for more tourism promotion. It required no tax increases.

The plan was developed by the Missouri Tourism 2001 Funding Committee – an industry group with representatives from the Missouri Hotel & Motel Association, the Missouri Restaurant Association, the Missouri Travel Council, the Travel Federation of Missouri and the Missouri Association of Convention & Visitors Bureaus.

Studies indicated that tourism expenditures are increased by more than $48 for every dollar that the State of Missouri invested in tourism marketing. To maximize tourism's benefits, the industry group concluded, Missouri needed a reliable source of funding for tourism promotion, at a level that would enable the state to compete effectively in the tourism market.

The funding proposal called for working with the Department of Revenue to identify tax revenue generated by specific businesses that serve travelers. Businesses in 17 SIC (Standard Industry Classification) codes were chosen. A small percentage of the growth in tax revenue from those businesses would be reinvested each year in tourism marketing.

The plan was based on the conservative assumption that sales tax revenue generated by traveler-serving business will grow by at least three percent per year – considered "normal" growth. The Division of Tourism would receive half of any increase in sales tax revenue above that 3 percent level. The money, to be used for tourism marketing and promotion, could not exceed $3 million per year.

As funding from the growth in sales tax revenue came in, the division's budget could be increased by as much as $3 million per year over the previous year's level.

The measure also called for the division's existing funding from General Revenue to be eliminated gradually, at a rate of 10 percent per year. At the end of 10 years, the division would be entirely funded from this new tax revenue source.

Broad-based travel industry support was the key to passing HB 188 into law. The no-new-tax proposal was developed after opposition killed an earlier funding plan calling for new taxes to be collected by travel industry businesses. By contrast, the "painless" funding measure embodied in HB 188 enjoyed statewide support as it made its way through the legislature and to the Governor's desk.

More than 300 industry representatives came to the Capitol early in the 1993 legislative session to talk with their legislators. They made it clear that the plan in HB188

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was developed by the travel industry and had the full backing of the industry. And they made it clear how much tourism means to Missourians statewide.

Thanks to industry support, HB 188 was approved by wide margins – 30-4 in the Senate and 145-11 in the House. Industry members were on hand in force again on July 7, 1993, when the measure was signed into law by Lt. Gov. Roger Wilson.

The innovative funding concept, called "the most significant step forward for tourism in Missouri since the Missouri Tourism Commission was created in 1967," put Missouri in the national spotlight. The successful campaign to pass HB 188 earned the Travel Industry Association of America's prestigious Odyssey Award for Tourism Awareness in 1993.

Missouri Division of Tourism

Budget History

In 1993, Missouri's tourism industry developed a plan to allow the Division of Tourism to fund itself from growth in the travel business, and eventually eliminate the need for General Revenue appropriations. Led by House and Senate tourism committees, this initiative was passed almost unanimously into state law RSMo. 620.467. It is often considered a model for the nation.

Known as the "Division of Tourism Supplemental Revenue Fund," this performance-based budgeting process organized Missouri's travel industry into 17 business types, identified by Standard Industry Classification (SIC) codes. The General Assembly appropriates these funds annually, based on at least 3 percent growth in tourism-related sales tax revenues, as determined by the director of the Department of Revenue.

In addition, a provision of the law stipulated that the original FY94 base appropriation be paid back to the state by 2004. Each year, 10 percent of that base amount was to be deposited back to the General Revenue fund, and by 2004 the entire division budget was generated from the growth in tourism-related tax revenues.

Standard Industry Classification (SIC) Codes

Included in Funding Formula

5811	Eating Places Only
5812	Eating and Drinking Places
5813	Drinking Places – Alcoholic Beverages
7010	Hotels, Motels and Tourist Courts
7020	Rooming and Boarding Houses
7030	Camps and Trailering Parks
7033	Trailering Parks and Campsites
7041	Organization Hotels and Lodging House
7920	Producers, Orchestras, Entertainers
7940	Commercial Sports
7990	Misc. Amusement and Recreation
7991	Boat and Canoe Rentals
7992	Public Golf Courses and Swimming Pools
7996	Amusement Parks
7998	Tourist Attraction
7999	Amusement NEC
8420	Botanical and Zoological Gardens

HB205 / SB376 Extends Funding to 2015

Legislation to extend the life of the Missouri Division of Tourism's supplemental funding source and the percentage used by the Department of Revenue when computing the division's budget each year was passed in 1998, 2003 and 2007.

House Bill 188, approved by the legislature in 1994, which created the Division of Tourism Supplemental Revenue Fund, allowed the division to receive up to $3 million annually in new revenue under a formula that gave back to the division part of the increase of the state sales taxes generated by tourism activities (17 SIC codes). The original intent of HB 188 was that the Department of Revenue would use a formula to determine the amount of increase from all sales taxes collected. But the Department of Revenue determined that the formula be based only on general state sales tax (3%) and did not include the School District Trust Fund sales tax (1%), the Conservation tax (0.125%) and the Soils and Water/State Parks tax (0.10%) in the formula.

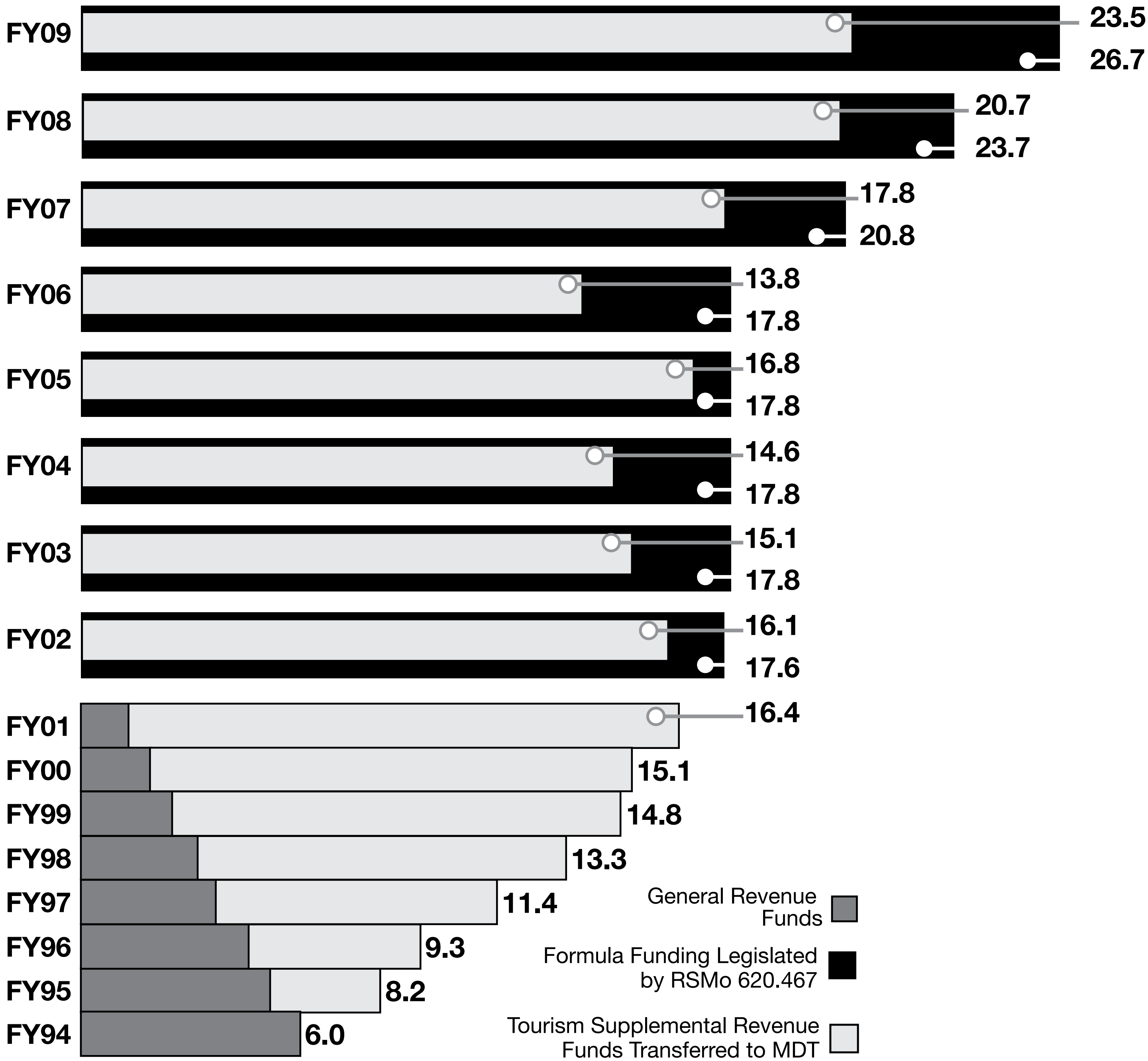
In 2003, Rep. Francis Overschmidt of Union, Mo., and Sen. Sidney Johnson of Agency, Mo., sponsored HB 1620 in their respective chambers, which included the provision to extend the original sunset clause in HB 188 from the year 2004 to the year 2010.

In 2007, Rep. Dennis Wood and Sen. John Griesheimer sponsored HB 205/SB 376 in their respective chambers, which extended the sunset clause to 2015.

Division of Tourism

Budget History Funding Sources

in millions



	1994	1995	1996	1997	1998	1999	2000	2001
TSRF	$0	$3,000,000	$4,764,987	$7,764,987	$10,091,229	$12,365,604	$13,230,918	$15,121,636
GR	$5,935,098	$5,197,965	$4,572,142	$3,658,342	$3,185,925	$2,491,246	$1,879,846	$1,327,424

	2002	2003	2004	2005	2006	2007	2008
TSRF	$16,078,921	$15,067,743	$14,615,711	$16,777,947	$13,805,006	$17,767,811	$20,659,810
GR	$0	$0	$0	$0	$0	$0	$0

Questions … and Answers

Q. Does this create a new tax?

A. No. There are no new taxes. It simply allocates some of the growth in existing sales tax revenue to the Division of Tourism, to be reinvested in more marketing.

Q. How much of the tax money would go back into tourism?

A. The bill assumes that 3 percent per year would be "normal" growth in tax revenue from traveler-serving businesses. Half of any revenue above 3 percent would go to the Division of Tourism, to be invested in building the state's travel industry.

Q. Is there a limit on how much the Division of Tourism's budget can grow?

A. Yes. It has a cap of $3 million growth per year.

Q. But why do we need more money for tourism promotion?

A. Because Missouri's tourism industry can produce more tax revenue and new jobs – and do it faster – than any other form of economic development. Tourism is a $12.7 billion-per-year business in Missouri, employing over 293,000 Missourians. Spending by travelers generated about $651.7 million in FY08 in state taxes. It just makes sense to promote an industry that means so much to our state.

Q. Promoting tourism is a good idea … but what about the appropriation process?

A. The Legislature still must appropriate these new funds. And these bills call for the senate and house tourism committees to review the Division of Tourism's marketing and spending plans each fiscal year.

Q: What about payoff if we spend more on tourism promotion?

A: Two of our biggest competitors, Illinois and Texas, have budgets more than $50 million. With MDT's 2008 budget of a little more than $20 million, we are still providing an impressive return. Independent research studies show Missouri returned $2.46 in tax revenue for every dollar invested in marketing Missouri to travelers. Additionally, for every $1 spent in marketing tourism, $48.13 is returned in visitor expenditures to Missouri businesses.

Q. Will this help rural, small-town Missouri?

A. Absolutely. The division will continue to expand its Cooperative Marketing Program. Through this program, we are able to assist chambers, and convention and visitors bureaus, with their promotional and marketing efforts.

Q. Is there a "sunset" clause in HB 205 and SB 376?

A. Yes. This law extends the expiration date from June 30, 2010 to June 30, 2015 for the Division of Tourism Supplemental Revenue Fund.

Q. Are these bills a way to build Missouri's economy, create more jobs and tax revenue and keep tourism growing, well into the 21st century, without any new tax increases?

A. Exactly!

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